

**HUMBOLDT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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# HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

#### (Before September, 2006 Election)

Wayne Miner	President	2006
Mike Sexe	Vice President	2007
Sharon Dailey		2006
Jennifer Berte		2008
Tom Carson		2008

#### (After September, 2006 Election)

Mike Sexe	President	2007
Jennifer Berte	Vice President	2008
Dawn Humburg		2009
Rick Pedersen		2009
Tom Carson		2008

### School Officials

Dr. Joyce Judas	Superintendent
Lisa Thul	District Secretary
Rob Dickey	District Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Humboldt Community School District, Humboldt, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

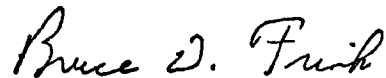
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Humboldt Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 25, 2008 on our consideration of Humboldt Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organization is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink  
Certified Public Accountant

March 25, 2008

## **HUMBOLDT COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

This section of the Humboldt Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2007. Please read it in conjunction with the District's financial statements.

#### **2007 FINANCIAL HIGHLIGHTS**

- The District's General Fund balance decreased by over \$200,000. This is the first time in five years that the balance has decreased. The District had revenues of \$9,809,970 and \$10,016,645 was spent during the year.
- The District experienced a decrease in both Resident and BEDS enrollment. The September 2006 BEDS enrollment was 1248.3, while the September 2005 enrollment was 1279.0. This is indicative of the actual number of students attending District schools including open enrollment in students. The District has a plus 58.8 of open enrolled students versus open enrolled out (down 15.4 from the prior year).
- Revenues increased by 2% from the prior year. This was due primarily to an increase in state sources of revenues by the District. Expenditures increased by 8% due to increases in payroll and benefits.
- The District has actively pursued grants from various sources in order to enhance the District's course offerings. A \$200,000 construction grant was obtained allowing the District to pursue building projects and not rely totally on local funds.
- The District enjoys a 25% solvency ratio. This will allow for flexibility in light of long term trends toward decreasing enrollment and inadequate allowable growth.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Humboldt Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Humboldt Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Humboldt Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Humboldt Community School District Annual Financial Report***

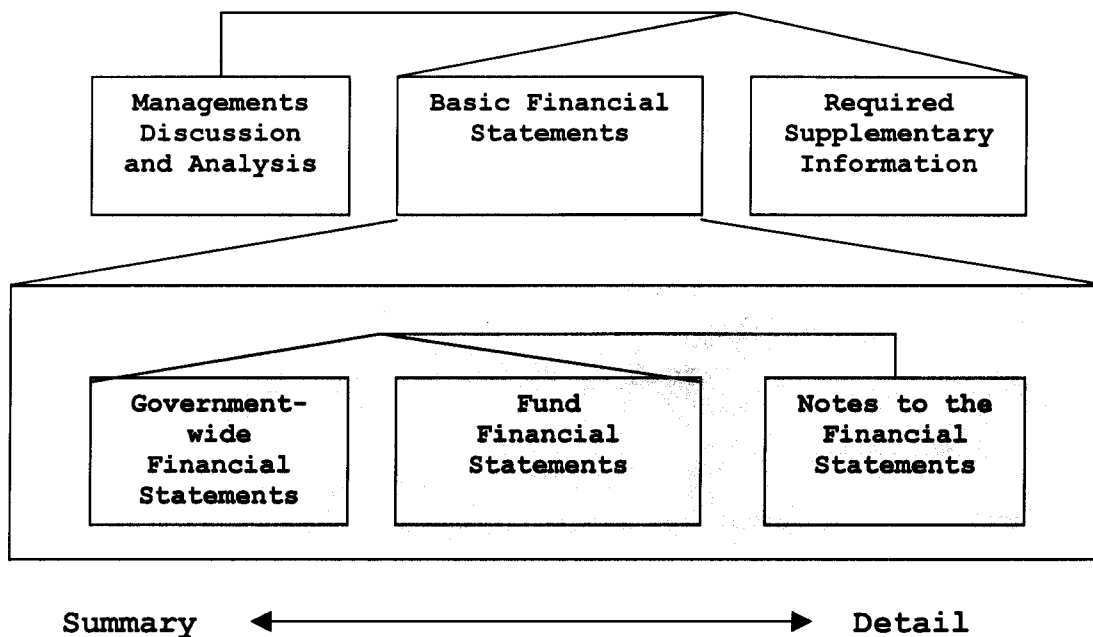


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	8,909	8,215	61	48	8,970	8,263	8.56%
Capital assets	2,215	1,837	32	33	2,247	1,870	20.16%
Total assets	11,124	10,052	93	81	11,217	10,133	10.70%
Current liabilities	3,943	3,848	-	-	3,943	3,848	2.47%
Non-current liabilities	596	861	-	-	596	861	-30.78%
Total liabilities	4,539	4,709	-	-	4,539	4,709	-3.61%
Net Assets							
Invested in capital assets, net of related debt	1,619	976	32	33	1,651	1,009	63.63%
Restricted	2,353	1,578	-	-	2,353	1,578	49.11%
Unrestricted	2,613	2,789	61	48	2,674	2,837	-5.75%
Total net assets	6,585	5,343	93	81	6,678	5,424	23.12%

Total net assets increased 23% as a result of increases in several funds. The General Fund decreased over \$200,000 as a result of salary increases and inadequate allowable growth. The largest increase was in the Capital Projects Fund. Revenues totaled over \$900,000 in fiscal year 2007.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to year ended June 30, 2006.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	563	604	245	262	808	866	-6.70%
Operating grants, contributions and restricted interest	1,992	1,415	177	164	2,169	1,579	37.37%
General revenues:							
Property tax	3,924	4,128	-	-	3,924	4,128	-4.94%
Local option sales tax	909	581	-	-	909	581	56.45%
Unrestricted state grants	4,397	4,305	-	-	4,397	4,305	2.14%
Unrestricted investment earnings	144	94	-	-	144	94	53.19%
Other	160	157	-	-	160	157	1.91%
Total revenues	<u>12,089</u>	<u>11,284</u>	<u>422</u>	<u>426</u>	<u>12,511</u>	<u>11,710</u>	<u>6.84%</u>
Program expenses:							
Governmental activities:							
Instruction	7,083	6,488	-	-	7,083	6,488	9.17%
Support Services	2,974	2,856	-	-	2,974	2,856	4.13%
Non-instructional programs	6	-	410	406	416	406	2.46%
Other expenses	<u>785</u>	<u>716</u>	<u>-</u>	<u>-</u>	<u>785</u>	<u>716</u>	<u>9.64%</u>
Total expenses	<u>10,848</u>	<u>10,060</u>	<u>410</u>	<u>406</u>	<u>11,258</u>	<u>10,466</u>	<u>7.57%</u>
Change in net assets	<u>1,241</u>	<u>1,224</u>	<u>12</u>	<u>20</u>	<u>1,253</u>	<u>1,244</u>	<u>0.72%</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$12,089,653 and expenses were \$10,848,646. The District continues to monitor discretionary spending and looking for additional sources of revenue in order to maintain programs.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
	\$	\$		\$	\$	
Instruction	7,083	6,488	9.17%	5,217	4,934	5.74%
Support Services	2,974	2,856	4.13%	2,718	2,779	-2.20%
Non-instructional programs	6	-	100.00%	6	-	100.00%
Other expenses	<u>785</u>	<u>716</u>	<u>9.64%</u>	<u>352</u>	<u>327</u>	<u>7.65%</u>
Totals	<u>10,848</u>	<u>10,060</u>	<u>7.83%</u>	<u>8,293</u>	<u>8,040</u>	<u>3.15%</u>

- The cost financed by users of the District's programs was \$563,069.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,161,442.
- The net cost of governmental activities was financed with \$3,923,519 in property tax, \$4,397,345 in state foundation aid, and \$144,482 in interest income.

#### **Proprietary-Type Activities**

Revenues for the District's School Nutrition Fund were \$421,659 and expenses were \$409,845. The revenues include: charges for services, contributions, and federal and state reimbursements.

#### **Fiduciary Activities**

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

#### **INDIVIDUAL FUND ANALYSIS**

The Humboldt Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$6,584,663, which is 23% more than last year's ending fund balance of \$5,343,656.

#### **Governmental Fund Highlights**

- The District has been trying to control its General Fund balance by holding the line on payroll and discretionary spending as well as obtaining outside grants.
- A positive open enrollment balance into the District will help maintain instructional programs with increased funding.
- The District collected over \$900,000 in local option sales tax this fiscal year.
- The District enjoys a 25% solvency ratio. This is an indicator of the financial strength of the District. 10% is a widely accepted figure as being adequate.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures did not exceed the amounts budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2007, the District has invested more than \$7,600,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$270,000.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	49	49	-	-	49	49	0.00%
Land improvements	79	84	-	-	79	84	-5.95%
Buildings	1,742	1,435	-	-	1,742	1,435	21.39%
Furniture and equipment	345	269	32	33	377	302	24.83%
Totals	<u>2,215</u>	<u>1,837</u>	<u>32</u>	<u>33</u>	<u>2,247</u>	<u>1,870</u>	<u>20.16%</u>

### Long-term Debt

The District makes principal and interest payments yearly on general obligation bonds and capital loan notes using property tax dollars obtained through voted levies.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total		Total
	District		Change
	June 30,		June 30,
	2007	2006	2006-07
	\$	\$	
General obligation bonds	475	625	-24.00%
EPA loan	1	6	-83.33%
Capital loan notes	120	230	-47.83%
Total	<u>596</u>	<u>861</u>	<u>-30.78%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Enrollment will be the primary factor in determining the ability of the district to maintain and expand educational offerings.
- Maintaining a sound General Fund balance from year to year is important in order that the District can be able to take advantage of opportunities, absorb funding cuts, and keep property taxes down.
- Adequate allowable growth must be provided by the Legislature in order to give adequate salary increases plus be able to keep up with changing classroom requirements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Joyce Judas, Superintendent, Humboldt Community Schools, 1408 9<sup>th</sup> Ave N, Humboldt, Iowa 50548.

## **Basic Financial Statements**

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	4,680,000	52,770	4,732,770
Receivables:			
Property tax:			
Current year	69,521	-	69,521
Succeeding year	3,843,917	-	3,843,917
Due from other governments	315,130	-	315,130
Other receivables	-	211	211
Inventories	-	8,286	8,286
Capital assets, net of accumulated depreciation (note 6)	2,214,960	31,658	2,246,618
<b>Total assets</b>	<u>11,123,528</u>	<u>92,925</u>	<u>11,216,453</u>
<b>Liabilities</b>			
Accounts payable	97,260	-	97,260
Accrued interest payable	1,598	-	1,598
Deferred revenue:			
Succeeding year property tax	3,843,917	-	3,843,917
Long term liabilities:			
Portion due within one year:			
Capital loan notes	120,000	-	120,000
Energy loan payable	1,090	-	1,090
General obligation bonds payable	150,000	-	150,000
Portion due after one year:			
General obligation bonds payable	325,000	-	325,000
<b>Total liabilities</b>	<u>4,538,865</u>	<u>-</u>	<u>4,538,865</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,618,870	31,658	1,650,528
Restricted for:			
Debt service	141,977	-	141,977
Capital Projects	1,327,078	-	1,327,078
Management Fund	706,919	-	706,919
Physical Plant and Equipment Levy Fund	176,966	-	176,966
Unrestricted	2,612,853	61,267	2,674,120
<b>Total net assets</b>	<u>6,584,663</u>	<u>92,925</u>	<u>6,677,588</u>

See notes to financial statements.



## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions			
	Charges for Service	Interest	Governmental Activities	Business Type Activities
Expenses				Total
\$	\$	\$	\$	\$
7,083,230	563,069	1,303,304	(5,216,857)	(5,216,857)
205,893	-	-	(205,893)	(205,893)
478,943	-	-	(478,943)	(478,943)
1,062,281	-	-	(1,062,281)	(1,062,281)
768,282	-	255,631	(512,651)	(512,651)
458,512	-	-	(458,512)	(458,512)
2,973,911	-	255,631	(2,718,280)	(2,718,280)
6,323	-	-	(6,323)	(6,323)
27,269	-	1,872	(25,397)	(25,397)
400	-	-	(400)	(400)
101,312	-	38,372	(62,940)	(62,940)
393,205	-	393,205	-	-
262,996	-	-	(262,996)	(262,996)
785,182	-	433,449	(351,733)	(351,733)
10,848,646	563,069	1,992,384	(8,293,193)	(8,293,193)
Total governmental activities				

## Functions/Programs

## Governmental activities:

## Instruction:

## Support services:

Student services

Instructional staff services

Administration services

Operation and maintenance of plant services

Transportation services

## Non-instructional programs:

Food service operations

## Other expenditures:

Interest on long-term debt

Service costs on long-term debt

Facilities acquisition and construction

AEA flowthrough

Depreciation (unallocated)\*

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions			
	Charges for Service	and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
\$	\$	\$	\$	\$
409,845	245,053	176,606	-	11,814
11,258,491	808,122	2,168,990	(8,293,193)	(8,281,379)
Business type activities:				
Non-instructional programs:				
Nutrition services				
Total				
General revenues:				
Property tax levied for:				
General purposes				
Management fund				
Capital outlay				
Debt service				
Local option sales tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenue				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	2,298,113	140,617	1,217,130	1,024,140	4,680,000
Receivables:					
Property tax:					
Current year	56,553	2,958	-	10,010	69,521
Succeeding year	2,974,698	167,875	-	701,344	3,843,917
Due from other governments	205,182	-	109,948	-	315,130
<b>Total assets</b>	<u>5,534,546</u>	<u>311,450</u>	<u>1,327,078</u>	<u>1,735,494</u>	<u>8,908,568</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	91,057	-	-	6,203	97,260
Deferred revenue:					
Succeeding year property tax	2,974,698	167,875	-	701,344	3,843,917
Total liabilities	<u>3,065,755</u>	<u>167,875</u>	<u>-</u>	<u>707,547</u>	<u>3,941,177</u>
Fund balances:					
Reserved for debt service	-	143,575	-	-	143,575
Reserved for capital projects	-	-	1,327,078	-	1,327,078
Unreserved fund balance	2,468,791	-	-	1,027,947	3,496,738
Total fund balances	<u>2,468,791</u>	<u>143,575</u>	<u>1,327,078</u>	<u>1,027,947</u>	<u>4,967,391</u>
<b>Total liabilities and fund balances</b>	<u>5,534,546</u>	<u>311,450</u>	<u>1,327,078</u>	<u>1,735,494</u>	<u>8,908,568</u>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 4,967,391
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,214,960
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(1,598)
Long-term liabilities, capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(596,090)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 6,584,663</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	3,195,330	166,219	909,151	561,970	4,832,670
Tuition	563,069	-	-	-	563,069
Other	300,170	1,726	38,372	397,639	737,907
State sources	5,314,312	146	-	495	5,314,953
Federal sources	437,089	-	-	200,000	637,089
Total revenues	9,809,970	168,091	947,523	1,160,104	12,085,688
Expenditures:					
Instruction	6,657,510	-	-	425,720	7,083,230
Support services					
Student services	205,893	-	-	-	205,893
Instructional staff services	533,174	-	-	13,423	546,597
Administration services	1,037,142	-	-	25,139	1,062,281
Operation and maintenance of plant services	853,401	-	41,211	79,553	974,165
Transportation services	336,320	-	239,649	19,109	595,078
	2,965,930	-	280,860	137,224	3,384,014
Non-instructional programs:					
Food service operations	-	-	-	6,323	6,323

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other expenditures					
Long-term debt:					
Principal	-	265,000	-	-	265,000
Interest	-	28,013	-	-	28,013
Services	-	400	-	-	400
Facilities acquisition and construction	-	-	85,917	246,088	332,005
AEA flowthrough	393,205	-	-	-	393,205
	393,205	293,413	85,917	246,088	1,018,623
Total expenditures	10,016,645	293,413	366,777	815,355	11,492,190
Excess (deficiency) of revenues over (under) expenditures	(206,675)	(125,322)	580,746	344,749	593,498
Other financing sources (uses):					
Sale of materials and supplies	3,965	-	-	-	3,965
Operating transfers in	-	238,842	-	-	238,842
Operating transfers out	-	-	-	(238,842)	(238,842)
Total other financial sources (uses)	3,965	238,842	-	(238,842)	3,965
Net change in fund balance	(202,710)	113,520	580,746	105,907	597,463
Fund balances beginning of year	2,671,501	30,055	746,332	922,040	4,369,928
Fund balances end of year	2,468,791	143,575	1,327,078	1,027,947	4,967,391

See notes to financial statements.

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2007

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 597,463

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 640,796	
Depreciation expense	<u>(262,996)</u>	377,800

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

265,000

**Change in net assets of governmental activities (Exhibit B)** \$ 1,241,007

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>245,053</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	149,134
Benefits	24,537
Services	1,152
Supplies	227,028
Depreciation	<u>7,994</u>
Total operating expenses	<u>409,845</u>
Operating (loss)	<u>(164,792)</u>
Non-operating revenues:	
Interest on investments	1,530
State sources	5,426
Federal sources	<u>169,650</u>
Total non-operating revenues	<u>176,606</u>
Change in net assets	11,814
Net assets beginning of year	<u>81,111</u>
Net assets end of year	<u><u>92,925</u></u>

See notes to financial statements.



## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u> \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	245,341
Cash payments to employees for services	(173,671)
Cash payments to suppliers for goods or services	(205,626)
Net cash (used in) operating activities	<u>(133,956)</u>
Cash flows from non-capital financing activities:	
State grants received	5,426
Federal grants received	147,021
Net cash provided by non-capital financing activities	<u>152,447</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(6,923)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,530</u>
Net increase in cash and cash equivalents	13,098
Cash and cash equivalents beginning of year	<u>39,672</u>
Cash and cash equivalents end of year	<u><u>52,770</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(164,792)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	7,994
Commodities used	22,629
Decrease in other receivables	288
Decrease in inventory	128
(Decrease) in accounts payable	(203)
	<u>(133,956)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>52,770</u></u>
<b>Non-cash investing, capital and financing activities:</b>	

During the year ended June 30, 2007, the District received federal commodities valued at \$22,629.  
See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trusts
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	1,992,723
Other receivables	<u>954</u>
<b>Total assets</b>	<u>1,993,677</u>
<b>Liabilities</b>	
Accounts payable	<u>19,177</u>
<b>Net Assets</b>	
Reserved for general education	1,782,763
Reserved for scholarships	<u>191,737</u>
<b>Total net assets</b>	<u><u>1,974,500</u></u>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trusts
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	116,740
Contributions	<u>-</u>
Total additions	<u>116,740</u>
Deductions:	
Support services:	
Other	<u>32,114</u>
Total deductions	<u>32,114</u>
Change in net assets	84,626
Net assets beginning of year	<u>1,889,874</u>
Net assets end of year	<u><u>1,974,500</u></u>

See notes to financial statements.

# HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### (1) Summary of Significant Accounting Policies

Humboldt Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Humboldt and Dakota City, Iowa, and agricultural territory in Humboldt, Webster and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Humboldt Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Humboldt Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and the fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

### (2) **Cash and Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	49,250	-	-	49,250
Capital assets being depreciated:				
Land Improvements	849,758	4,244	-	854,002
Buildings	4,174,921	405,837	-	4,580,758
Furniture and Equipment	2,575,180	230,715	715,458	2,090,437
Total capital assets being depreciated	7,599,859	640,796	715,458	7,525,197
Less accumulated depreciation for:				
Land Improvements	766,158	8,931	-	775,089
Buildings	2,739,843	98,999	-	2,838,842
Furniture and Equipment	2,305,948	155,066	715,458	1,745,556
Total accumulated depreciation	5,811,949	262,996	715,458	5,359,487
Total capital assets being depreciated, net	1,787,910	377,800	-	2,165,710
Governmental activities, capital assets, net	1,837,160	377,800	-	2,214,960



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities</b>				
Furniture and Equipment	89,900	6,923	-	96,823
Less accumulated depreciation	<u>57,171</u>	<u>7,994</u>	<u>-</u>	<u>65,165</u>
Business type activities capital assets, net	<u>32,729</u>	<u>(1,071)</u>	<u>-</u>	<u>31,658</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>262,996</u>
Business type activities:	
Food service operations	<u>7,994</u>

#### (4) Bonds Payable

The District refinanced its outstanding bonded indebtedness during the fiscal year ending June 30, 2003 at an estimated savings to the taxpayers of \$118,000. Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate %	Principal \$	Interest \$	Total \$
2008	2.35	150,000	12,875	162,875
2009	2.75	160,000	9,350	169,350
2010	3.00	<u>165,000</u>	<u>4,950</u>	<u>169,950</u>
Total		<u>475,000</u>	<u>27,175</u>	<u>502,175</u>

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	EPA Loan	Capital Loan Notes	Total
Balance beginning of year	\$625,000	6,090	230,000	861,090
Additions	-	-	-	-
Reductions	<u>150,000</u>	<u>5,000</u>	<u>110,000</u>	<u>265,000</u>
Balance end of year	<u>\$475,000</u>	<u>1,090</u>	<u>120,000</u>	<u>596,090</u>

#### (6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll, for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$343,258, \$326,221, and \$320,958 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Humboldt Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$373,205 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$13,500. Early retirement benefits paid during the year ended June 30, 2007 totaled \$71,350.

**(10) Capital Loan Notes/Construction in Progress**

Capital loan notes in the amount of \$900,000 were issued in September, 1998 for the remodeling, improvement, reconstruction and repair of the high school, junior high school and elementary buildings. The notes will be repaid from proceeds of the District's voted Physical Plant and Equipment Levy.

Details of the debt at June 30, 2007 are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u> <u>%</u>	<u>Principal</u> <u>\$</u>	<u>Interest</u> <u>\$</u>	<u>Total</u> <u>\$</u>
2008	5.25	<u>120,000</u>	<u>6,300</u>	<u>126,300</u>

**(11) EPA Loan**

During the year ended June 30, 1992, the District received a \$81,090 loan from the U.S. Environmental Protection Agency Asbestos in School Hazard Abatement Program. The loan is interest free and is to be repaid \$5,000 a year.

<u>Year</u>	<u>Amount</u>
2008	<u>1,090</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Local sources	6,133,646	246,583	6,380,229	5,731,737	5,731,737
State sources	5,314,953	5,426	5,320,379	5,311,910	5,311,910
Federal sources	637,089	169,650	806,739	405,000	405,000
Total revenues	12,085,688	421,659	12,507,347	11,448,647	11,448,647
<b>Expenditures</b>					
Instruction	7,083,230	-	7,083,230	8,015,639	8,015,639
Support services	3,384,014	-	3,384,014	4,083,000	4,083,000
Non-instructional programs	-	409,845	409,845	513,249	513,249
Other expenditures	1,018,623	-	1,018,623	1,538,021	1,538,021
Total expenditures	11,485,867	409,845	11,895,712	14,149,909	14,149,909
Excess of revenues over expenditures	599,821	11,814	611,635	(2,701,262)	(2,701,262)
Other financing sources (uses)	3,965	-	3,965	3,000	3,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	603,786	11,814	615,600	(2,698,262)	(2,698,262)
Balance beginning of year	4,369,928	81,111	4,451,039	5,886,323	5,886,323
Balance end of year	4,973,714	92,925	5,066,639	3,188,061	3,188,061

See accompanying independent auditor's report.

## **HUMBOLDT COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Non-major Special Revenue Funds

June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	702,332	144,062	177,746	1,024,140
Property tax receivable:				
Current year	4,587	-	5,423	10,010
Succeeding year	400,000	-	301,344	701,344
<b>Total assets</b>	<u>1,106,919</u>	<u>144,062</u>	<u>484,513</u>	<u>1,735,494</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	-	-	6,203	6,203
Deferred revenue:				
Succeeding year property tax	400,000	-	301,344	701,344
	<u>400,000</u>	<u>-</u>	<u>307,547</u>	<u>707,547</u>
Fund balance:				
Unreserved fund balance	706,919	144,062	176,966	1,027,947
<b>Total liabilities and fund balance</b>	<u>1,106,919</u>	<u>144,062</u>	<u>484,513</u>	<u>1,735,494</u>

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-major Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	256,675	-	305,295	561,970
Other	46,161	342,503	8,975	397,639
State sources	227	-	268	495
Federal sources	-	-	200,000	200,000
Total revenues	<u>303,063</u>	<u>342,503</u>	<u>514,538</u>	<u>1,160,104</u>
Expenditures:				
Instruction:	79,046	316,206	30,468	425,720
Support services:				
Instructional staff services	11,896	-	1,527	13,423
Administration	9,773	-	15,366	25,139
Plant operation and maintenance	79,553	-	-	79,553
Student transportation	19,109	-	-	19,109
Non-instructional programs:				
Food service operations	6,323	-	-	6,323
Other expenditures:				
Facilities acquisition and construction	-	-	246,088	246,088
Total expenditures	<u>205,700</u>	<u>316,206</u>	<u>293,449</u>	<u>815,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,363</u>	<u>26,297</u>	<u>221,089</u>	<u>344,749</u>
Other financing (uses):				
Operating transfers out	-	-	(238,842)	(238,842)
Total operating financing (uses)	<u>-</u>	<u>-</u>	<u>(238,842)</u>	<u>(238,842)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>97,363</u>	<u>26,297</u>	<u>(17,753)</u>	<u>105,907</u>
Fund balances beginning of year	<u>609,556</u>	<u>117,765</u>	<u>194,719</u>	<u>922,040</u>
Balance end of year	<u><u>706,919</u></u>	<u><u>144,062</u></u>	<u><u>176,966</u></u>	<u><u>1,027,947</u></u>

See accompanying independent auditor's report.



## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Cross Country	166	3,057	3,223	-
Boys Basketball	17,486	13,163	6,854	23,795
Football	3,655	95,069	85,255	13,469
Baseball	1,518	13,282	14,700	100
Boys Track	-	3,346	3,306	40
Boys Golf	2	485	455	32
Wrestling	-	15,478	15,364	114
Girls Basketball	11,597	11,234	6,057	16,774
Volleyball	702	5,865	5,579	988
Softball	-	13,966	13,902	64
Girls Track	-	3,556	3,480	76
Girls Golf	65	200	257	8
Soccer	953	2,934	3,128	759
Olympics	82	-	-	82
Spanish Club	425	575	512	488
Drama	9,421	9,240	11,288	7,373
Cheerleaders	-	5,070	4,620	450
MOC	1,638	-	-	1,638
Graphic Arts	573	-	-	573
Student Senate	5,234	4,941	3,719	6,456
Student Senate special	250	-	-	250
FFA	4,737	14,203	12,793	6,147
MS Cheerleading	616	-	-	616
Drill Team	10,634	15,455	15,494	10,595
Class of 2006	1,990	-	1,990	-
Class of 2007	298	2,180	697	1,781
Class of 2008	1,989	-	50	1,939
Class of 2009	1,624	-	-	1,624
Class of 2010	-	2,396	1,358	1,038
Prom	-	3,320	3,320	-
High School	4,871	5,381	2,476	7,776
Middle School	5,635	4,848	6,991	3,492
Taft	2,642	3,664	3,441	2,865
Mease	1,734	2,869	1,981	2,622
Secondary Academic Boosters	3,908	2,185	1,289	4,804
Elementary Art	61	100	-	161
Elementary PE	142	-	-	142
High School Art	146	-	122	24
Elementary Special	32	-	-	32
Elementary Academic Boosters	2,659	13,173	9,777	6,055
Taft Character Counts	(30)	30	-	-
Vocal HS	863	2,516	2,205	1,174
Vocal MS	1,179	1,167	881	1,465
Vocal Elementary	2,001	538	782	1,757

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Band HS	398	1,519	1,319	598
Band MS	2,489	2,793	2,849	2,433
Band Elementary	574	1,071	1,035	610
Band Resale HS	278	2,157	2,435	-
Band Uniforms	711	703	1,414	-
Nokomis 2007	-	24,390	17,023	7,367
Nokomis 2005	2,847	-	-	2,847
Nokomis 2006	2,391	3,316	5,346	361
Rockets - 6th Grade	786	-	-	786
Concessions	10	-	-	10
HS PE	2,579	-	1,166	1,413
Concessions - MS	5,107	-	-	5,107
Student Activity	(7,860)	60,717	65,868	(13,011)
Track Project	2,397	-	400	1,997
Weight Room	275	-	-	275
Checking Interest	3,016	3,685	3,339	3,362
Mease CD	61	-	-	61
Middle School CD	203	-	-	203
Investment Interest	5	-	-	5
	117,765	375,837	349,540	144,062
Less interaccount transfers		(33,334)	(33,334)	
Totals	117,765	342,503	316,206	144,062

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2007

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	5,909	4,080	7,537	9,428	4,162	11,488
Other receivables	-	-	-	-	-	-
	<u>5,909</u>	<u>4,080</u>	<u>7,537</u>	<u>9,428</u>	<u>4,162</u>	<u>11,488</u>
	-	-	-	-	-	-
	<u>5,909</u>	<u>4,080</u>	<u>7,537</u>	<u>9,428</u>	<u>4,162</u>	<u>11,488</u>
	-	-	-	-	-	-
	<u>5,909</u>	<u>4,080</u>	<u>7,537</u>	<u>9,428</u>	<u>4,162</u>	<u>11,488</u>
	<u>5,909</u>	<u>4,080</u>	<u>7,537</u>	<u>9,428</u>	<u>4,162</u>	<u>11,488</u>

**Assets**Cash and pooled investments  
Other receivables**Liabilities and Fund Balance**Current liabilities:  
Accounts payableFund balance:  
Reserved for general education  
Reserved for scholarships

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2007

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	79,675	10,400	-	10,695	20,367	646
Other receivables	-	-	-	-	-	-
	<u>79,675</u>	<u>10,400</u>	<u>-</u>	<u>10,695</u>	<u>20,367</u>	<u>646</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>79,675</u>	<u>10,400</u>	<u>-</u>	<u>10,695</u>	<u>20,367</u>	<u>646</u>
	<u>79,675</u>	<u>10,400</u>	<u>-</u>	<u>10,695</u>	<u>20,367</u>	<u>646</u>
	<u>79,675</u>	<u>10,400</u>	<u>-</u>	<u>10,695</u>	<u>20,367</u>	<u>646</u>

## Assets

## Liabilities and Fund Balance

Current liabilities:  
Accounts payable

Fund balance:

Reserved for general education  
Reserved for scholarships

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2007

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Cash and pooled investments	9,472	1,800,986	8,320	9,558	1,992,723
Other receivables	-	954	-	-	954
	<u>9,472</u>	<u>1,801,940</u>	<u>8,320</u>	<u>9,558</u>	<u>1,993,677</u>
<b>Liabilities and Fund Balance</b>					
Current liabilities:					
Accounts payable	-	19,177	-	-	19,177
Fund balance:					
Reserved for general education	-	1,782,763	-	-	1,782,763
Reserved for scholarships	9,472	-	8,320	9,558	191,737
	<u>9,472</u>	<u>1,782,763</u>	<u>8,320</u>	<u>9,558</u>	<u>1,974,500</u>
	<u>9,472</u>	<u>1,801,940</u>	<u>8,320</u>	<u>9,558</u>	<u>1,993,677</u>

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts

Year ended June 30, 2007

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	419	622	565	610	310	840
Contributions	-	-	-	-	-	-
	<u>419</u>	<u>622</u>	<u>565</u>	<u>610</u>	<u>310</u>	<u>840</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	200	250	275	250	150	400
	<u>200</u>	<u>250</u>	<u>275</u>	<u>250</u>	<u>150</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	219	372	290	360	160	440
Balance beginning of year	<u>5,690</u>	<u>3,708</u>	<u>7,247</u>	<u>9,068</u>	<u>4,002</u>	<u>11,048</u>
Balance end of year	<u><u>5,909</u></u>	<u><u>4,080</u></u>	<u><u>7,537</u></u>	<u><u>9,428</u></u>	<u><u>4,162</u></u>	<u><u>11,488</u></u>

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Private Purpose Trusts

Year ended June 30, 2007

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	4,587	675	-	789	1,502	-
Contributions	-	-	-	-	-	-
	<u>4,587</u>	<u>675</u>	<u>-</u>	<u>789</u>	<u>1,502</u>	<u>-</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	<u>2,000</u>	<u>275</u>	<u>233</u>	<u>390</u>	<u>900</u>	<u>-</u>
	<u>2,000</u>	<u>275</u>	<u>233</u>	<u>390</u>	<u>900</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,587	400	(233)	399	602	-
Balance beginning of year	<u>77,088</u>	<u>10,000</u>	<u>233</u>	<u>10,296</u>	<u>19,765</u>	<u>646</u>
Balance end of year	<u><u>79,675</u></u>	<u><u>10,400</u></u>	<u><u>-</u></u>	<u><u>10,695</u></u>	<u><u>20,367</u></u>	<u><u>646</u></u>

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts

Year ended June 30, 2007

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	714	103,287	820	1,000	116,740
Contributions	-	-	-	-	-
	<u>714</u>	<u>103,287</u>	<u>820</u>	<u>1,000</u>	<u>116,740</u>
Expenditures:					
Instruction:					
Regular instruction:					
Other	350	24,941	500	1,000	32,114
	<u>350</u>	<u>24,941</u>	<u>500</u>	<u>1,000</u>	<u>32,114</u>
Excess (deficiency) of revenues over (under) expenditures	364	78,346	320	-	84,626
Balance beginning of year	<u>9,108</u>	<u>1,704,417</u>	<u>8,000</u>	<u>9,558</u>	<u>1,889,874</u>
Balance end of year	<u><u>9,472</u></u>	<u><u>1,782,763</u></u>	<u><u>8,320</u></u>	<u><u>9,558</u></u>	<u><u>1,974,500</u></u>

See accompanying independent auditor's report.



## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,832,670	4,708,402	4,500,733	4,574,524
Tuition	563,069	604,225	679,891	703,547
Other	737,907	528,340	512,747	436,592
State sources	5,314,953	5,119,715	5,127,797	4,726,988
Federal sources	637,089	305,622	322,688	170,904
Total	<u>12,085,688</u>	<u>11,266,304</u>	<u>11,143,856</u>	<u>10,612,555</u>
Expenditures:				
Instruction	7,083,230	6,559,869	6,686,620	6,367,845
Support services:				
Student	205,893	272,808	317,654	409,919
Instructional staff	546,597	452,163	567,479	319,374
Administration	1,062,281	993,063	1,028,026	994,212
Operation and maintenance of plant	974,165	805,227	792,801	787,221
Transportation	595,078	433,517	346,058	375,635
Non-instructional programs:				
Food service operations	6,323	-	3,389	-
Other expenditures:				
Facilities acquisition	332,005	139,309	32,489	58,683
Debt Service				
Principal	265,000	255,000	245,000	235,000
Interest and service charges	28,413	41,241	43,434	50,175
AEA flowthrough	393,205	377,143	379,759	378,152
Total	<u>11,492,190</u>	<u>10,329,340</u>	<u>10,442,709</u>	<u>9,976,216</u>

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY07	<u>22,629</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	20,790
Special Milk Program	10.551	FY07	1,703
National School Lunch Program	10.555	FY07	<u>124,527</u>
			<u>147,020</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3060-G-07	113,156
Title I Neglected and Delinquent Children	84.012	6840-D-07	-
Innovative Educational Program Strategies (Title V)	84.298	FY07	1,623
Grants for Assessments and Related Activities	84.369	FY07	9,002
Improving Teacher Quality - Grants to States	84.348	FY07	49,955
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY07	9,553
Special Education - Grants to States (IDEA Part B)	84.027	FY07	82,534
Iowa Demonstration Construction Grant	84.215	FY07	200,000
Vocational Education - Basic Grants to States	84.048	FY07	<u>25,340</u>
Total			<u><u>660,812</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Humboldt Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

**BRUCE D. FRINK**  
**Certified Public Accountant**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of  
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Humboldt Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Humboldt Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Humboldt Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Humboldt Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Humboldt Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Humboldt Community School District's financial statements that is more than inconsequential will not be prevented or detected by Humboldt Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Humboldt Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

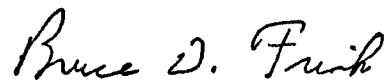
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters to be disclosed in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt Community School District and other parties to whom Humboldt Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2008

**BRUCE D. FRINK**  
**Certified Public Accountant**

**Independent Auditor's Report on Compliance with Requirements**  
**Applicable to Each Major Program and on Internal Control**  
**over Compliance in Accordance with OMB Circular A-133**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Humboldt Community School District:

**Compliance**

We have audited the compliance of Humboldt Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Humboldt Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Humboldt Community School District's management. Our responsibility is to express an opinion on Humboldt Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humboldt Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Humboldt Community School District's compliance with those requirements.

In our opinion Humboldt Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Humboldt Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Humboldt Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Humboldt Community School District's internal control over compliance.

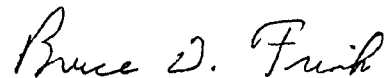
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Humboldt Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Humboldt Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt Community School District and other parties to whom Humboldt Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2008

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215 - Iowa Demonstration Construction GrantsSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.551 - Special Milk Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Humboldt Community School District did not qualify as a low-risk auditee.

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2007

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

07-II-A      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.215 Iowa Demonstration Construction Grant

Agency Numbers: 6840-G-07,

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.551 Special Milk Program

10.555 National School Lunch Program

Federal Award Year: 2007

US Department of Agriculture

Passed through Iowa Department of Education



## HUMBOLDT COMMUNITY SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2007

#### **Part III: Findings For Federal Awards:** **(continued)**

07-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult than the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

#### **Part IV: Other Findings Related to Required Statutory Reporting:**

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - During the year ended June 30, 2007, expenditures did not exceed the budgeted amounts in any of the four functions.

07-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.

07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

07-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.